

Telecommunications Tax Help Guide

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I. GENERAL INFORMATION

House Bill 272, passed during the 2005 Session of the General Assembly, created new sections of KRS Chapter 136 to provide an Excise tax of 3% for the provision of multi-channel video programming services, a Gross Revenues tax of 2.4% for the provision of multi-channel video programming services, and a 1.3% Gross Revenues tax for the provision of communications services effective January 1, 2006. A portion of these taxes will be transferred by the Department of Revenue (DOR) to political subdivisions, school districts, sheriff's departments and special districts throughout Kentucky in accordance with statutory distribution provisions.

Multi-channel video programming service providers and communications service providers will submit one monthly return and one payment to the DOR, and the DOR will make the monthly distributions of the receipts collected to these local districts. To further centralize and streamline the administration of this tax, provisions for administrative adjustments, claims for refunds, and penalties were also included in this legislation.

A method for providers to use FTP (File Transfer Protocol), also known as Web File, to submit their return data directly to the DOR has been developed. If your service area is large, you may prefer to submit your return data in a file format compatible with our processing requirements rather than completing the online return each month. The web filing guide can be found here: <https://revenue.ky.gov/Business/Telecommunications-Tax/Documents/Web-File-Guide.pdf> (A pre-test will be required to use this method.) If you have additional questions about online filing and the Telecommunications Tax, call the Division of Sales and Use at (502) 564-5170, option 2, or email DOR.WEB.Response.Telecom@ky.gov.

II. REGISTRATION INFORMATION

The registration for KY E-Tax is a one-time registration. Your administrator will log in using his/her existing User ID and password to access the account and grant user privileges for the new tax account. In addition to the Telecommunications Tax Return, the Utility Gross Receipts License Tax Return can be filed online. The administrator can set up single or multiple users on your account. These users can be within your organization or outside your organization, such as your accountant, CPA, attorney, etc., and be responsible for different taxes.

III. KY E-TAX REGISTRATION

If you are currently registered for Utility Gross Receipts License Tax through KY E-Tax, you are automatically registered to file electronically for the Telecommunications Tax. You must currently be registered with the Department of Revenue (DOR) for Sales and Use Tax, Withholding Tax and/or Corporation Tax to proceed with the KY E-Tax registration. If you are not currently registered for any of these taxes, please contact the Division of Sales and Use Tax at (502) 564-5170, option 2.

Required Information - Before registering, you must have the following account numbers available:

- Federal Employer Identification Number (FEIN) or Social Security Number
- And one of the following account numbers:
 - a. Sales and Use Tax Permit Number,
 - b. Withholding Tax Number, or
 - c. Corporation Tax Number.
- Account Administrator - The person named as administrator must be a responsible officer or authorized designee of the company and must be authorized to file and pay state taxes. The administrator will:
 - a. Be responsible for granting access to others within your business, or outside your business (accountant, CPA, attorney, etc.) by assigning additional User IDs and passwords;
 - b. Have the ability to view account history;
 - c. Have the ability to view the details of the Telecommunications Tax returns filed online; and
 - d. Have the ability to view an online indicator if any outstanding tax liabilities exist.

You will receive an e-mail confirming that the KY E-Tax registration was processed. At that time, you must access the Telecommunications Tax system to complete the registration process. The e-mail will contain specific registration information related to that account.

Note: All fields with an asterisk are required fields.

IV. TELECOMMUNICATIONS TAX SYSTEM REGISTRATION

Additional information relative to the Telecommunications Tax and your business account will be requested the first time you log in to complete the registration process.

Mailing Address/Location Address Information – Enter the Mailing Address and the Location Address for the account.

Contact Person – For contact purposes, the DOR is requesting the name, address, phone, fax number, and e-mail address of someone in the company with whom the DOR can correspond regarding questions with your Telecommunications Tax account.

Taxpayer Account Information – Each provider will be asked to complete the Taxpayer Account Information screen by selecting the company type and service type. Company Type will be one of three: Consumer, Municipal Utility or Other Provider. Each service provider will choose one Service Type from the list provided (MVP, Communications, DBS, or Multiple Services). If your business provides more than one service (i.e., phone and cable), select “Multiple Services” as your Service Type. The Liability Date will be the date the company became liable for collecting the Telecommunications Tax. Initially, all accounts will be set up on a monthly filing frequency.

Note: All fields with an asterisk are required fields.

V. LOGON

Telecommunications Tax Number: This is the number of the account you wish to access. The Telecommunications Tax Number was assigned during the registration process and sent to the account administrator via e-mail.

User ID: Assigned by your administrator. User ID must be 9-12 characters, containing both upper and lower case letters and at least one number.

Password: Assigned by your administrator. Passwords must be 9-12 characters, containing both upper and lower case letters, at least one number, and at least one special character such as !, #, @, \$, etc.

Type Tax: Telecommunications Tax

VI. PASSWORD

Only the Administrator can reset the password without being logged on. Each user has three attempts to log on before becoming locked out. If you are locked out, you will need to contact the Administrator of the account to reset your password. The Administrator must enter the Telecommunications Tax System (TTS) account number, Administrator User ID, Tax type will be prefilled. Then enter the new password, confirm the new password, and enter the Verification Code used during registration to validate the change to your account.

For a user to change its password they must be logged in and click User Maintenance from the Account drop-down list at the top of the screen.

VII. FILING HISTORY

The Filing History screen displays the following: Account

Number	
Account	Name
Location	Address*
Mailing	Address*
Liability	Date Filing
Frequency	Account
Status	

*Address information can be updated by selecting Update.

Tax Period – The Tax Period column displays the tax periods that have been filed or are available to be filed. Use the page number link at the bottom of the screen to navigate between pages to view all tax periods.

The new tax period will be available the first business day of the month following the close of the period. Filing can begin once this is available.

Status – The Status of the return will be updated as the return passes through the preparation, approval and submission processes.

Not Filed – return not filed (default)

Preparation In Progress – data has been saved but not completed or submitted. Pending

Approval – data has been saved and has passed validations; waiting on approver.

Submitted to DOR – return has been approved and submitted to DOR by the approver.

Filed Online – return has been processed by DOR.

If a return has been submitted to DOR and a problem is discovered, the return may be unsubmitted, if the due date has not been reached. The return cannot be unsubmitted if the status has been updated to say Filed Online. An amended return must be filed at this time to correct any errors on the return.

Amended Return – If an amended return or office adjustment has been processed, a “Y” will display in the Amended Return column of the Filing History. If you have any questions, contact the Department of Revenue at (502) 564-5170, option 2.

Outstanding Liability – If there is an outstanding liability, a “Y” will display in the Outstanding Liability column of the Filing History. An outstanding liability means the department has issued a bill that remains outstanding for that period. Payment received in full will clear the “Y”.

NAVIGATION:

DO NOT use the navigational buttons on your Web browser to move back and forth in the Telecommunications Tax System. Use the Telecommunications Tax menu and the screen buttons to move within the system. If you accidentally click on the Back button, a message that the page has expired will be displayed. Click on Refresh to return to the previous page to avoid losing the data. This process safeguards the integrity of your tax data.

Always click the Save button before leaving the current screen if you intend to save the data. Use the Tab key to advance the cursor to the next entry field.

VIII. TAX RETURN PREPARATION

Demographic and Account Information

The Account Number, Account Name and Location Address are displayed at the top left of the screen. Also shown on the screen are the Period Beginning, Period Ending and the Return Due dates for the return being filed.

Part I – Excise Tax

Lines 1 through 9 pertain to the sale of multi-channel video programming services provided to a person whose place of primary use is in Kentucky. Consumers skip to line 8; Telecommunications providers skip to Part II.

1. **Line 1, Gross Receipts** – Enter the total amount received for furnishing multi-channel video programming services to persons whose primary use is in Kentucky. ***Do not include any telecommunications tax collected in this amount.***
2. **Line 2, Deductions** – Deduct amounts received for the following nontaxable services or items: sales to governmental agencies or units, sales to resident nonprofit educational, charitable and religious institutions, services resold, internet access, federal, state and local taxes, and bad debt. Enter on Line 2g any “other” amount and identify in the space provided.
3. **Line 3, Total Deductions (calculated)** – add all deductions (lines 2a through 2g).
4. **Line 4, Net Receipts Subject to 3% excise tax (calculated)** – subtract line 3 from line 1.
5. **Line 5, Excise Tax Due (calculated)** – multiply line 4 by 0.03.
6. **Line 6, Compensation** – If the return is filed and paid timely, compensation is allowed. *Compensation is computed at the rate of 1.75% of the first \$1,000 of tax shown on line 5, and 1.00% of the tax in excess of \$1,000, with a maximum of \$1,500.00 per return.*
7. **Line 7, Total Excise Tax Due (calculated)** – Subtract line 6 from line 5.
8. **Line 8, CONSUMERS ONLY** – Consumers enter the amount of retail purchases of multi-channel video programming that was not taxed by the provider.
9. **Line 9, CONSUMERS ONLY, Total Excise Tax Due (calculated)** – Multiply Line 8 by 0.03.

Part II – Allocation Schedule

The allocation of the monies should be done according to where the purchaser of the service(s) is billed. The Gross Revenues tax from MVP column 4 is computed at a rate of 2.40% of the Gross Revenues from MVP column 3. The Gross Revenues tax from Communications Services column 6 is computed at a rate of 1.30% of the Gross Revenues from Communication Services column 5. For all subsequent returns, the county codes and names will be pre-populated in Part II – Allocation Schedule, based on the most recent tax return filed with DOR.

Functions:

Select County from the drop down box and enter gross revenues from MVP for that county.

Add – Clicking on this button will allow user to add a county and its Gross Revenues to the allocation schedule.

Delete All Counties – Clicking on this button link will ask user, “Do you wish to delete all counties?” If this is what the user intended to do, then the user must press OK. If this is not what the user intended to do, then the user must press the Cancel button.

To delete one county, select delete at the end of the row. There will be a message displayed that asks the user, “Do you wish to delete COUNTY?” The user will then choose, “OK” or “Cancel”.

Line 10, Gross Revenues (calculated) – the total amount of gross revenues received for the provision of multi-channel video programming services. This line should be equal to the total Gross Revenues reported in Column 3 of the Allocation Schedule.

Line 11, Gross Revenues (calculated) – the total amount of gross revenues received for the provision of communication services. This line should be equal to the total Gross Revenues reported in Column 5 of the Allocation Schedule.

Line 12, Total Gross Revenue Tax Due (calculated) – This line should be equal to the sum of the totals from Columns 4 and 6 of the Allocation Schedule.

Part III – Payment

Line 13, Net Tax Amount Due (calculated) – This line should be equal to the sum of the totals from lines 9 and 12.

Line 14, Total Allowable Franchise Fee Credit – *Not to exceed net tax due on line 13.* This credit is only permitted for providers who service a jurisdiction that has opted to impose a local franchise fee. The credit is allowable up to the applicable amount of excise and/or gross revenues tax paid to those jurisdictions. An annual reconciliation of credits claimed is also required.

Line 15, Interest – If the return is filed past the due date, the system will calculate interest at the current interest rate for the return.

Line 16, Penalties – If the return is filed past the due date, the system will calculate penalties due. Any additional penalties will be assessed by DOR.

Line 17, Total Amount Due – This line should be equal to the sum of lines 13, 14, and 15.

Once the return has been submitted to DOR, the user will be able to pay by clicking on E-Pay or EFT at the bottom of the return.

The Telecommunications Tax system and the E-Pay system, known as EEPS (Enterprise Electronic Payment System) are linked together. Telecommunications account information and the amount due will be carried over to the EEPS system when E-Pay is selected. EFT (Electronic Funds Transfer) payments will also be accepted. A taxpayer must contact the EFT desk at 502-564-6750 or visit <https://secure.kentucky.gov/dor/payment/web/login.aspx> to set up an EFT account.

Functions:

Save – The return data is saved as entered and allows the file to be placed in a “Preparation in Progress” status. No validations have been performed at this time.

Submit to DOR – The tax return will be submitted to DOR for processing. Once processing has been completed, the status will be updated to show “Filed Online.” A return can be “Unsubmitted” from this status prior to the 21st of the month if the taxpayer discovers errors and needs to correct the return. If the error is discovered after the due date, only an amended return can be filed to correct the return.

Complete – Certain fields will be validated. If validated, then the return is placed in a “Pending Approval” status. If not validated, a message(s) will be displayed at the bottom of the return indicating which lines are out of balance. The return will remain in a “Preparation in Progress” status until the corrections are made and the return passes the validation process.

Cancel – The return data will not be saved if the user selects Cancel.

Compute Amount Due – This button is mainly used when a return is late. If a user presses the complete button, the return will be saved with interest and penalties through the date that the return was completed. However, before the Submit to DOR button is pressed, the user will need to press the Compute Amount Due button, so that the penalties and fees are updated to reflect the date that the return is actually being submitted to the Department of Revenue.

The return has not been filed until Submit to DOR has been clicked and no errors are displayed.

NAVIGATION:

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Always click the Save button before leaving the current screen if you intend to save the data. Use the Tab key to advance the cursor to the next entry field.

Web File

A method for providers to use FTP (File Transfer Protocol), also known as Web File. By submitting the tax return information via a formatted file that is sent to DOR's web server and processed through the same validations and edits as the online returns. Web Filing cannot be used if the return has already been submitted to DOR. If the return data is in a Preparation in Progress state it will overwrite existing data.

If your service area is large, you may prefer to submit your return data, via Web File, in a file format compatible with our processing requirements rather than completing the online return each month. The web filing guide can be found here: <https://revenue.ky.gov/Business/Telecommunications-Tax/Documents/Web-File-Guide.pdf> (A pre-test will be required to use this method.)

NAVIGATION:

DO NOT use the navigational buttons on your Web browser to move back and forth in the Telecommunications Tax System. Use the Telecommunications Tax menu and the screen buttons to move within the system. If you accidentally click on the Back button, a message that the page has expired will be displayed. Click on Refresh to return to the previous page to avoid losing the data. This process safeguards the integrity of your tax data.

Always click the Save button before leaving the current screen if you intend to save the data. Use the Tab key to advance the cursor to the next entry field.

IX. TAX RETURN SUMMARY

The Tax Return Summary screen recaps the taxpayer's entries on the tax return as it was submitted to DOR. This screen is the default screen when a return is in a Submitted to DOR or Filed Online status.

Functions:

Amend – To amend a prior period return, enter the reason for the amended return and make the appropriate corrections to the original figures. Complete the return and resubmit to DOR.

If additional tax is due, based on the amended return, links to E-Pay (EEPS) and EFT are provided to remit the remaining tax due or a notice of tax due will be issued. If the amended return creates an overpayment or refund situation, the DOR will review the amended return and take the appropriate action to refund the overpayment.

The Amended Return column on the Filing History table will show a "Y" displayed once the amended return has been submitted.

NAVIGATION:

DO NOT use the navigational buttons on your Web browser to move back and forth in the Telecommunications Tax System. Use the Telecommunications Tax menu and the screen buttons to move within the system. If you accidentally click on the Back button, a message that the page has expired will be displayed. Click on Refresh to return to the previous page to avoid losing the data. This process safeguards the integrity of your tax data.

Always click the Save button before leaving the current screen if you intend to save the data. Use the Tab key to advance the cursor to the next entry field.

X. USER MAINTENANCE

The User Maintenance screen lists the authorized users for the account, shows start and end dates, and gives a summary of their privileges. Each user's level of access will be assigned at the account level. A user can have different privileges for different accounts.

View Tax History access allows the user to view account details and returns that have been filed. No information may be prepared, edited, or filed by a user with only view access.

Prepare Tax Returns access allows the user to view, prepare and/or edit returns. The return will have to be approved by someone with File Tax Return access before it is submitted to the DOR.

File Tax Returns access allows the user to view, prepare, and submit (approve) returns to the DOR.

Administrator is the person who set up the initial account for online filing. The administrator is responsible for setting up new users, assigning access levels and resetting a user's password. The Administrator has all levels of access.

The Administrator is the only person who can add or update user information. Each account can only have one administrator and the User ID for the administrator cannot be changed. If the administrator leaves, the User ID remains the same, however the password can be changed. For assistance, contact the Department of Revenue at (502) 564- 5170, option #2.

Functions:

New User – To add a new user, select New User. Create a User ID and password and enter the demographic information. The User ID must consist of 9-12 alpha/numeric characters. The password must be 9-12 characters, containing both upper and lower case letters, at least one number, and at least one special character such as !, #, @, \$, etc. The user should be advised to change their password at their first logon by clicking Change Password (Passwords are case sensitive). Enter the user's information and check the appropriate level(s) of access for the user.

Show Active Users Only – This link shows a list of all active users with any type of access to the account.

Show All – A list of all users, active and inactive, is available through this link.

Account List – If the Administrator for the current account is also an administrator for additional Kentucky E-Tax accounts, the Account List displays the account numbers of the additional accounts the Administrator holds.

Update User – To update user information, click the user's name. Update the information in the appropriate fields. A user's access level can be updated at this time. After corrections are complete, click save.

Change Password –To reset a selected user's password, the Administrator clicks the user's name. The Administrator then clicks Change Password and types the new password. Confirm the password by re-entering. Notify the user of the password change and advise the user to change their password at their first logon. (Passwords are case sensitive and must follow the requirements above.)

To delete a user, the Administrator will click on the user's name. Then the Administrator will enter an End Date for that user. This will make them an inactive user. Inactive users do not have access to the account until the Administrator reinstates their user access to view, prepare, or file.

Clicking Cancel will exit the user's information without saving any changes.

XI. DEMOGRAPHICS

Under the Demographics menu, the company's name and address information, contact information and general account information is displayed. The address and contact information can be updated. Make the required changes and click on Save to replace the information.

Tax ID – The nine-digit number assigned to your account, begins with three leading zeros.

Business Name – The name of the provider or consumer as it appears in the Telecommunications Tax system.

Use the tabs across the top of the screen to access the following information:

Mailing Address – The location where mail is delivered. To update the address information, enter the corrected information and select Save.

Location Address – The location address is the actual business location. To update the address information, enter the corrected information and select Save.

Contacts – For contact purposes, the DOR requests the name, address, phone, fax number and e-mail address of someone with whom the DOR can correspond regarding questions with your Telecommunications Tax account. ***This person, unless also added as a user by the administrator, does not have access to the Telecommunications Tax system.*** Enter additional contacts by selecting New Contact.

Account Info – Each provider will complete the Taxpayer Account Information screen by selecting a company type, ownership type, and service type that describes the operations in Kentucky.

Company Type will be one of following: Other Provider, Consumer, or Municipal Utility.

Ownership Type identifies the type of ownership for tax purposes (i.e., sole proprietorship, partnership, corporation, association, etc.)

Service Type describes the primary service provided by the company. If the business provides more than one service (i.e., direct broadcast satellite, multi-channel video programming, and telecommunications), select "Multiple Services" as your Service Type.

Liability Date is the date the company began collecting Telecommunications Tax or January 1, 2006.

Filing Frequency for all accounts will be monthly (default). Other filing frequencies may be granted on a case-by-case basis as determined by the DOR.

Account Status will either show active or inactive.

After initial registration, contact the Department of Revenue at (502)564-5170, option #2 to update information on the Account Info screen.

XII. WEB FILING

The DOR offers Web Filing as an alternate method of reporting the monthly Telecommunications Tax information beginning with the January 2006 tax return. Web Filing streamlines the processing and offers an easy and secure way to meet the filing requirements.

Taxpayers who provide multi-channel video programming or telecommunications services to a large customer base and collect the Telecommunications Tax for a substantial number of counties can remit the tax return information to the DOR using this alternate method. The data goes through the same validations and edits as the return data filed online, providing the same information to the DOR.

Web Filing utilizes Microsoft's SSL technology (secure socket layer) to create a secure connection between the user's PC and the DOR's Web server. Using 128-bit encryption, files are transferred to the DOR's servers and then processed. This service only requires a PC with Internet Explorer 5.5 or higher or another compatible Web browser.

Once the user has logged onto the Telecommunications Tax system, the tax period is selected from the Filing History. The Web File link is available from the tax return computation screen. After selecting Web File, the user will browse their database for the file to import to the DOR's Web server. The user must have a user level to File or be the Administrator to import (submit) the file.

A successful pre-test submission of the data file is required. To avoid late filing penalties and interest, allow sufficient time for this initial validation process and resubmission of the test file in the event an error is encountered. After a successful test file, you must resubmit the web file for the return to be processed and considered Submitted to DOR.